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Tucson Electric Power Company RECEIVED

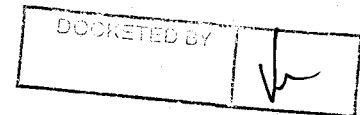
220 West Sixth Street, Post Office Box 711
Tucson, Arizona 85702

2000 SEP 29 A 11:57

September 27, 2000

AZ CORP COMMISSION
DOCUMENT CONTROL
Arizona Corporation Commission
DOCKETED

SEP 29 2000



Deborah R. Scott, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Re: TEP's implementation of Policies and Procedures for our Code of Conduct

Dear Ms. Scott:

Please find enclosed one original plus ten copies of Tucson Electric Power Company's Policies and Procedures required by Decision No. 62767. TEP's Code of Conduct required TEP to develop Policies and Procedures to address implementation of its Code of Conduct, and provides that the Policies and Procedures are subject to Commission approval.

Please contact me at 520-884-3683, if you have any questions or comments.

Best regards,

David Couture
Director, Regulatory Affairs

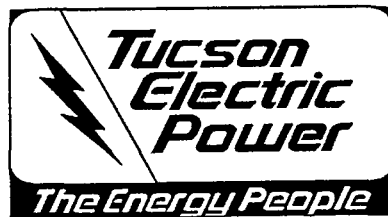
Enclosures

Cc: Leland Snook
Steve Glaser
Docket Control

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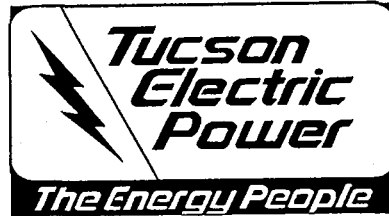
AZ CORP COMMISSION
DOCUMENT CONTROL



CODE OF CONDUCT

POLICIES AND PROCEDURES

October 1, 2000



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| CODE OF CONDUCT POLICY NO. 1 | CODE SECTION NOS. VII, X and XI |
| SUBJECT: Affiliate Accounting Policies | |

Definitions:

“Affiliate” means a separate legal entity that is controlled by, controls, or is under common control with TEP.

“TEP” means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

“Assets” include real property, depreciable personal property, and intangible property.

“Competitive Electric Affiliate” means an Affiliate that is also an Electric Service Provider.

“Depreciable personal property” means vehicles, machinery, furniture, fixtures not attached to land, equipment, computer hardware and related software applications, and any other tangible property, which are not goods or real property.

“Goods” means non-depreciable personal property, such as inventory, materials, and supplies.

“Intangible property” means any asset having no physical existence, its value being set by the rights and anticipated benefits that an owner obtains by possessing it.

“Labor charges” means direct payroll costs and all related costs such as pension, post employment benefits, health insurance, payroll taxes, etc.

“Liabilities” includes accounts payable, notes payable, lease obligations, debt, pension and other post retirement benefits, deferred compensation, and other employee-related benefits.

Massachusetts Formula: This is a method of allocating costs based on an equal weighting of payroll costs, plant/tangible assets, and total revenues. This three factor formula is commonly known as the “Massachusetts Formula” and has been widely used throughout the utility industry, has been accepted by the Cost Accounting Standards Board, and is consistent with the manner by which taxable income is partitioned between states under UDITPA and the Multistate Tax Compact.

“Noncompetitive Services” means those services described in A.A.C. R14-2-1601(29).

“UniSource Energy” means UniSource Energy Corporation, the parent holding company for TEP and other Affiliates.

“Proprietary information” means written, verbal, or visual information, material, data, or knowledge belonging to TEP or an Affiliate which TEP or the Affiliate considers being valuable, confidential, and proprietary. Such proprietary information could be owned by an Affiliate and/or third parties and licensed to an Affiliate. Proprietary information includes trade secrets, data, software, computer programs and related documentation, specifications, documents, methods, inventions, discoveries, drawings, customer lists, and employee or personnel information and records. Proprietary information also includes information and records relating to research, developments, operations or activities of TEP, Affiliates, contractors, or others, which have not been generally released to the public by duly authorized representatives of the entity in lawful possession of the same.

Purpose:

The purpose of these Affiliate Accounting Policies is to provide guidelines and standards to ensure compliance with regulatory requirements related to Competitive Electric Affiliate relationships. All transactions between TEP and its Competitive Electric Affiliate, including the provision of services and transfer of assets and liabilities, shall be accounted for in accordance with these policies.

Policies:

I. APPLICABILITY

These Affiliate Accounting Policies set forth business practices for transactions between TEP and its Competitive Electric Affiliate.

II. COMPLIANCE

The UniSource Energy Controller is responsible for issuing, updating, and monitoring compliance with these policies.

III. OVERVIEW

These accounting policies provide guidelines and standards to ensure compliance with regulatory accounting requirements related to affiliate financial relationships, including those requirements of the Arizona Corporation Commission, the Federal Energy Regulatory Commission and the Securities and Exchange Commission (SEC). All transactions between TEP and its Competitive Electric Affiliate, including the provision of services and transfer of assets or liabilities, shall be accounted for in accordance with these policies.

It is the policy of TEP and UniSource Energy to ensure that the costs related to their Competitive Electric Affiliate are segregated and accounted for separately. Specifically:

- All relationships between TEP and its Competitive Electric Affiliate are to be conducted in a manner that prevents cross-subsidization.
- Compensation or reimbursement for all assets, liabilities, goods or services transferred or provided between TEP and its Competitive Electric Affiliate shall be in accordance with these Affiliate Accounting Policies.
- All transactions between TEP and its Competitive Electric Affiliate shall be segregated and shall separately account for all costs incurred and revenues received by TEP as a result of such transaction.

IV. SHARED SERVICES GENERAL

Shared services are support services that are performed on behalf of TEP and at least one Affiliate. To ensure consistency and be cost-effective and efficient, these services are shared rather than duplicated. These services are organized in a manner that ensures consistency and efficiency for the mutual benefit of all UniSource Energy affiliates. Examples of shared services include the following:

- Accounting and Finance
- Audit
- Tax Services
- Information Technology
- Corporate Communications
- Shareholder Services
- Legal Services
- Environmental Services
- Public Affairs
- Human Resources
- Risk Management
- Mail and Reproductions
- Treasury Services and Remittance Processing
- Facility Services
- Budget and Financial Planning

Charges for shared services to the various Affiliates are either direct or indirect. Direct charges result from shared services that benefit a single Affiliate and will be directly assigned to that Affiliate in accordance with this policy. Indirect charges are allocated to the appropriate Affiliate based on a measure representing the Affiliate's proportionate relationship to other Affiliates.

A. DIRECT CHARGES & COST CAUSATIVE ALLOCATIONS

1. Identification

Direct charges are applicable to those shared services that are assignable to a specific Affiliate based on a causal or beneficial relationship to that Affiliate. Where direct shared services benefit more than one Affiliate, such services may be assigned to more than one Affiliate based on the support provided. In other cases, such services will be based on the actual demands for such services by the Affiliate. Examples of direct support services may include some human resources services, information technology support, and legal services.

2. Charging Methodology:

Direct charges are charged to specific Affiliates based on a causal or beneficial relationship or, in the case of special services requested by the Affiliate, on the basis of the service level provided. Direct labor charges will be captured on an "as-provided basis" and charged to a specific account number for that Affiliate using variable payroll distribution when the provider can specifically identify the actual hours to provide the service. When the service is provided on a regular or monthly basis and the specific Affiliate is not easily identifiable, as in the case of accounts payable or payroll processing, the time to be charged will be based on a time study or another measurable quantity (i.e., number of invoices processed or number of employees being paid) to determine the "average" time spent as a percent of total time, with the subsequent use of a payroll fixed distribution.

Where a sufficient degree of correlation can be reasonably identified, a direct cost allocation will be made based on cost causative relationship. For example, building costs will be allocated based on square footage occupied.

B. INDIRECT CHARGES

1. Identification:

Indirect charges are those shared services that are essential for the overall corporate enterprise and generally benefit all Affiliates. The associated costs are assignable to each Affiliate. Examples of indirect shared services include preparing consolidated financial statements, filing tax returns, meetings of the UniSource Energy's Board of Directors and shareholder services.

2. Charging Methodology:

Where elements of cost causation cannot be reasonably or economically identified as the basis for allocation, the Massachusetts Formula will be applied. Because indirect shared services represent functions not specifically identifiable to an Affiliate, it is impractical to charge those costs to the specific Affiliate as the costs are incurred.

V. GOODS OR SERVICES PROVIDED BETWEEN TEP AND AFFILIATES

This section provides guidelines to assign monetary value for the transfer of goods, products or services, other than shared services described in Section IV, between TEP and its Competitive

Electric Affiliate. These guidelines apply to all goods, products or services, including those routinely available to third parties.

From TEP to the Competitive Electric Affiliate:

- For tariffed goods, products or services, TEP will charge the Competitive Electric Affiliate at the rates terms and conditions set forth in the tariff.
- For non-tariffed goods, products or services, TEP will charge the Competitive Electric Affiliate the higher of fully allocated cost or market price.

From the Competitive Electric Affiliate to TEP:

- The Competitive Electric Affiliate will charge TEP the lower of fully allocated cost or market price.

TRANSFER OF ASSETS & LIABILITIES

1. Identification:

Transfers of assets include transfers of tangible real or depreciable personal property and intangible property used in a trade or business.

Real property:

Includes, but is not limited to:

- Land
- Buildings
- Improvements
- Easements
- Other real property rights

Personal property:

Includes, but is not limited to:

- Automobiles
- Power-operated equipment
- Computer hardware
- Computer software or application software
- Furniture
- Materials and supplies

Intangible property:

Includes, but is not limited to:

- Copyrights
- Patent rights
- Royalty interests
- Licenses
- Trademarks
- Other proprietary information

Transfers of liabilities include, but are not limited to, accounts payable, notes payable, lease obligations, debt, pension and other post retirement benefits, deferred compensation and other items related to employees of TEP and the Competitive Electric Affiliate.

2. Valuation:

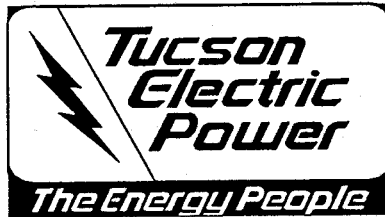
Transfers of assets and liabilities between TEP and its Competitive Electric Affiliate will be at net book value as of the date of the transfer in accordance with Generally Accepted Accounting Principles and SEC requirements.

3. Recording:

Transfers of assets or liabilities will be recorded through a direct charge.

VI. INTER-COMPANY BILLINGS AND REIMBURSEMENTS

Billings for services provided by TEP to its Competitive Electric Affiliate shall be rendered monthly, as soon as practical after the end of the month to which such charges relate. Payment shall be received no later than the last day of the month billings are issued. Billings paid within thirty days are interest free. Any balance not paid in full within the thirty days is subject to interest accrued at the monthly weighted average interest rate for TEP.



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| CODE OF CONDUCT POLICY NO. 2 | CODE SECTION NOS. III.C., IV. And X.E. |
| SUBJECT: Access to Information | |

Definitions:

"TEP" means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

"Code of Conduct" means the TEP document directing the implementation of the portion of the Electric Competition Rules as described in A.A.C. R14-2-1616.

"Competitive Electric Affiliate" means any business enterprise related to TEP that is also an Electric Service Provider.

"Confidential Customer Information" means any non-public customer-specific information obtained by TEP as a result of providing Noncompetitive Services or Permitted Competitive Activities. Confidential Customer Information also includes non-public customer-specific information obtained by TEP from customers of special districts and public power entities on behalf of such special districts and public power entities.

"Confidential Information" means Confidential Customer Information as that term is defined in the Code of Conduct and any other information obtained through the provision of Noncompetitive Services that would provide a competitive advantage to a Competitive Electric Affiliate.

"Electric Service Provider" (ESP) means an entity providing competitive electric services at retail ("Competitive Services") as described in A.A.C. R14-2-1601(15).

"Policies and Procedures" or "P&P" means these policies or procedures developed by TEP to implement the Code of Conduct.

"Third Party" means any Electric Service Provider or other market participants that may lawfully provide Competitive Services to retail customers that does not fall within the definition of TEP or Competitive Activities, as those terms are defined in the Code of Conduct.

“Utility Distribution Company” (UDC) means the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.

Purpose:

The purpose of this policy is to address the provision of various types of information by TEP to Competitive Electric Affiliates.

Policy:

1. Customer-Specific Information

Except as permitted by this Policy, TEP shall not provide Confidential Customer Information to any Third Party, including its Competitive Electric Affiliate, unless TEP has received written authorization from the customer to provide the information to the other party. Customer-specific information subject to this restriction includes, but is not limited to: name and address; credit and payment history; deposit information; load profile and usage data; and billing information. TEP may, however, release customer-specific information without such authorization if required by law (such as in response to a subpoena) or if necessary to bill and collect accounts or if otherwise authorized by statute or an order or regulation of the Arizona Corporation Commission or is necessary to provide safe and reliable service to the customer.

2. Non-customer Specific Information

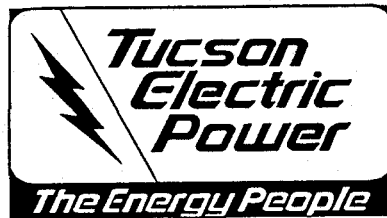
Utility Distribution Company (UDC)-Specific Information

TEP may provide UDC-specific information (information derived by virtue of TEP’s status as a UDC and transmission operator), to a Competitive Electric Affiliate only if such information is concurrently available to all other ESPs under the same terms and conditions *and* the Competitive Electric Affiliate pays the same amount for the information as TEP charges other ESPs. UDC-specific information includes, but is not limited to: system resource plans; load growth data; system outage information; extension requests; and transmission access information.

Corporate Administrative Information

TEP may provide to UniSource Energy Corporation (UniSource) corporate administrative information that is proprietary and confidential. Corporate administrative information includes, but is not limited to: company policies; personnel policies; shared system information; budgets; financial reports; company newsletters and employee-related communications; organization charts and benefits information; and material logistics information systems.

Such information provided by TEP to UniSource shall not thereafter be provided to a Competitive Electric Affiliate unless such sharing is for the purpose of administering shared services, joint corporate oversight, governance, support systems or personnel, and the information so provided does not include customer-specific information or UDC-specific information that is not made available to other ESPs in accordance with this policy



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| CODE OF CONDUCT POLICY NO. 3 | CODE SECTION NO. XIII.D. |
| SUBJECT: Compliance | |

Definitions:

“TEP” means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

“Code of Conduct” means the TEP document directing the implementation of the portion of the Electric Competition Rules as described in A.A.C. R14-2-1616.

“Competitive Electric Affiliate” means any business enterprise related to TEP that is also an Electric Service Provider.

“Electric Service Provider” (ESP) means an entity providing competitive electric services at retail (“Competitive Services”) as described in A.A.C. R14-2-1601(15).

“UniSource Corporate Compliance Program” means the program, or any successor program as approved by UniSource Energy Corporation (UniSource) from time to time, responsible for administering the Corporation’s Compliance Program, or any successor program, that includes the Code of Conduct.

“TEP Human Resources Department” means the department, or any successor department as designated by UniSource from time to time, responsible for administering the corporation’s human resource programs including compensation, benefits, and staffing.

“Policies and Procedures” or “P&P” means these policies or procedures developed by TEP to implement the Code of Conduct.

Purpose:

The purpose of this policy is to document the process used by the UniSource Corporate Compliance Program, or such successor department as is approved by UniSource from time to time, on behalf of TEP to handle complaints concerning violations of the Code of Conduct and its Policies and Procedures received from TEP, its Competitive Electric Affiliates’ employees and agents, and others.

Policy:

Complaints concerning violations of the Code of Conduct shall be processed under the procedures established in R14-2-212 and in conformance with the practices utilized by the UniSource Corporate Compliance Program, or such successor program as is approved by UniSource from time to time.

Scope:

Concerns or violations involving compliance with the Code of Conduct and its Policies and Procedures may be raised through the UniSource Corporate Compliance Committee.

Audit Provisions:

Periodic audits regarding TEP's compliance with the Code of Conduct and its Policies and Procedures will be performed by UniSource internal auditors. Such internal audits shall not prevent the Arizona Corporation Commission or its designee from conducting its own audit of TEP compliance.

Procedures:**Complaint Resolution:**

1. Concerns or complaints may be registered in several ways:
 - UniSource Corporate Compliance Committee contacts:
 - Corporate Compliance Officer
 - Manager and General Auditor
 - Corporate Secretary and Manager, Legal Services
 - Office visit to UniSource's Legal or Public Affairs Department
 - Internal and external mail
 - Referral

2. The concern/complaint file will include:

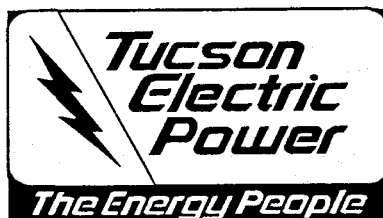
- Date
- Time
- Name
- Address
- Type of concern/complaint (confidential or anonymous)
- Description of concern/complaint
- Disposition of concern/complaint
- Correspondence or supporting documentation related to concern/complaint

3. Each file related to the Code of Conduct shall be kept separate from UniSource Corporate Compliance Committee files pertaining to non-Code of Conduct related concerns.

4. Callers will be asked whether or not they request confidentiality. Names of those requesting confidentiality will not be disclosed to anyone outside the UniSource Corporate Compliance Committee, including investigative assignees, unless there is a "need to know."

Once confidentiality has been requested, the submitter's name may normally be released only with the explicit concurrence of the submitter. If the submitter will not release confidentiality, and release is necessary to address particular concerns, the submitter will be notified that release will be made without their concurrence and the reason why the release is necessary. This decision and action will be thoroughly documented in the respective file.

When confidentiality has been released, the submitter's identity should not be referred to or released to any individual except those determined to have a "need to know." Discretion in the release of confidentiality will be exercised in all cases.



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| CODE OF CONDUCT POLICY NO. 4 | CODE SECTION NO. X.D. |
| SUBJECT: Contracting for Personnel Services Between TEP and Its Competitive Retail Electric Affiliates | |

Definitions:

"TEP" means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

"Code of Conduct" means the TEP document directing the implementation of the portion of the Electric Competition Rules as described in A.A.C. R14-2-1616.

"Competitive Electric Affiliate" means any business enterprise related to TEP that is also an Electric Service Provider.

"Electric Service Provider" (ESP) means an entity providing competitive electric services at retail ("Competitive Services") as described in A.A.C. R14-2-1601(15).

"UniSource Corporate Compliance Program" means the program, or any successor program as approved by UniSource Energy Corporation (UniSource) from time to time, responsible for administering the Corporation's Compliance Program, or any successor program, that includes the Code of Conduct.

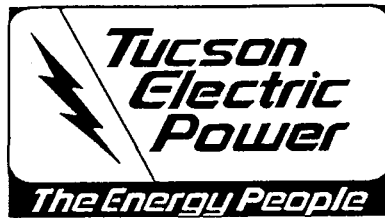
Purpose:

The purpose of this policy is to establish general terms and conditions under which TEP and its Competitive Electric Affiliates may obtain each other's services.

Policy:

1. The department or employee from whom the services are being contracted must have a recognized expertise needed for the project.
2. The project or assignment must have a specified scope and finite duration (no open-ended, as needed or on-retainer contract provisions).

3. Any Competitive Electric Affiliate personnel involved in supporting a TEP project or TEP personnel involved in supporting a Competitive Electric Affiliate project may be required to sign a confidentiality/non-disclosure agreement.
4. All agreements for services between TEP and a Competitive Electric Affiliate, except for allowable shared services, must be in writing and authorized by both an appropriate representative of TEP and an appropriate representative of the Competitive Electric Affiliate.
5. All agreements for services must be priced in accordance with TEP's Affiliate Accounting Policies.
6. The executed service agreement shall be forwarded to the UniSource Corporate Compliance Program, or such successor department as is designated by UniSource from time to time.
7. Under no circumstances may a Competitive Electric Affiliate contract with TEP for the provision by the latter of Call Center Services to such Competitive Electric Affiliate unless specifically permitted by the Code of Conduct.



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| CODE OF CONDUCT POLICY NO. 5 | CODE SECTION NO. III.B |
| SUBJECT: ESP Contacts and Requests for Service | |

Definitions:

"TEP" means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

"Code of Conduct" means the TEP document directing the implementation of the portion of the Electric Competition Rules as described in A.A.C. R14-2-1616.

"Competitive Electric Affiliate" means any business enterprise related to TEP that is also an Electric Service Provider.

"Electric Competition Rules" (the Rules) means A.A.C. R14-2-1601 to -1617 including all future amendments and modifications.

"Electric Service Provider" (ESP) means an entity providing competitive electric services at retail ("Competitive Services") as described in A.A.C. R14-2-1601(15).

"Third Party" means any Electric Service Provider, or other market participants, that may lawfully provide Competitive Services to retail customers that does not fall within the definition of TEP or Competitive Activities, as those terms are defined in the Code of Conduct.

"Utility Distribution Company" (UDC) means the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.

Purpose:

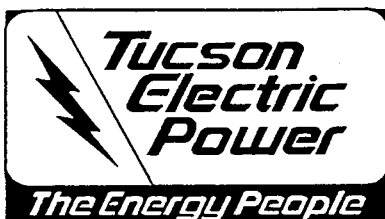
The purpose of this policy is to:

- Provide all ESPs with a single point of contact at TEP for initiating requests for UDC-provided services and for processing direct access-related requests for service.
- Ensure that TEP provides consistent and equitable treatment to all ESPs when handling ESP transactions and requests for UDC-provided services.

- Ensure that TEP's actions regarding ESP requests comply with the requirements of the Rules.

Policy:

1. TEP will designate a single point of contact for all ESP requests pertaining to direct access processing as well as requests for UDC-provided services. Such single point of contact (the "Contact Agency") shall be Direct Access Services or such successor department as is designated by TEP from time to time.
2. Requests from all ESPs shall be initiated through the Contact Agency only. Other TEP departments and employees shall promptly refer any requests for services received from an ESP to the Contact Agency for handling and processing or shall advise the ESP to make its request to the Contact Agency. These departments and employees shall not begin action on an ESP request for service until notified by the Contact Agency.
3. The Contact Agency shall review ESP requests, assign the appropriate organizations to address the requests, determine the appropriate charges, and bill the ESP or cause the ESP to be billed for the services provided.
4. Requests for UDC-provided services from a TEP competitive electric affiliate and non-affiliated ESPs shall be processed on a non-discriminatory basis.
5. The Contact Agency may release information relating to an ESP request for UDC-provided services only to those TEP departments or employees involved in responding to or providing the requested service. Such information will not be released or made available to Affiliates or other TEP departments, employees, or Third Parties.



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| CODE OF CONDUCT POLICY NO. 6 | CODE SECTION NOS. V, VII and XII |
| SUBJECT: Joint Promotion, Sales, and Advertising with a Competitive Retail Electric Affiliate | |

Definitions:

“TEP” means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

“Bill” means the billing invoice by TEP for Noncompetitive Services.

“Code of Conduct” means the TEP document directing the implementation of the portion of the Electric Competition Rules as described in A.A.C. R14-2-1616.

“Competitive Electric Affiliate” means any business enterprise related to TEP that is also an Electric Service Provider.

“Electric Service Provider” (ESP) means an entity providing competitive electric services at retail (“Competitive Services”) as described in A.A.C. R14-2-1601(15).

“Noncompetitive Services” means those services described in A.A.C. R14-2-1601(29).

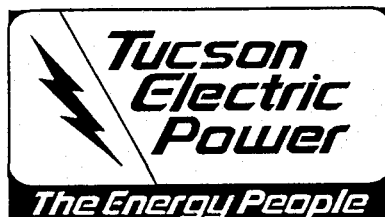
Purpose:

The purpose of this policy is to address issues regarding non-discriminatory treatment toward ESPs, including TEP’s Competitive Electric Affiliate, as it pertains to joint promotions, sales, and advertising.

Policy:

1. TEP will not provide a Competitive Electric Affiliate with preferential treatment over non-affiliated ESPs regarding the inclusion of advertising materials in Bills and related customer mailings. TEP will also inform non-affiliated ESPs of opportunities to include their advertising materials in TEP Bills or related mailings at the same time and in the same manner that it informs its Competitive Electric Affiliate.

2. TEP employees will not express a preference toward the products and services of any ESP, including TEP's Competitive Electric Affiliate, or offer recommendations regarding a customer's selection of an ESP.
3. TEP employees will not provide customers with unsolicited information regarding its Competitive Electric Affiliate.
4. TEP employees will tell customers asking about competitive services that a listing of certified ESPs is available at no charge from the Arizona Corporation Commission (ACC) and that the list can be obtained through the Commission's website or by telephone. Upon request, employees will provide the customer with the website address or phone number or provide the customer with a current copy of the ACC's list of authorized ESPs. If a customer asks a TEP employee for information regarding a specific ESP, including TEP's Competitive Electric Affiliate, the TEP employee may provide the customer with a contact name and phone number for the ESP.
5. TEP will not engage in joint advertising, marketing, or sales with a Competitive Electric Affiliate.
6. TEP will not jointly sponsor civic, industry, or charity functions and events with a Competitive Electric Affiliate. For those events sponsored by TEP, only the TEP name and logo will be used.
7. A Competitive Electric Affiliate and TEP may participate in the same types of events described above when a non-affiliated party sponsors the event; however, they must maintain physically separate booths, displays, and/or other facilities. Each facility must bear the name and/or logo of only the company occupying or sponsoring that space or location and may only promote or advertise the services of that company.



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| CODE OF CONDUCT POLICY NO. 7 | CODE SECTION NO. X |
| SUBJECT: Physical Separation of Entities | |

Definitions:

"TEP" means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

"Competitive Electric Affiliate" means any business enterprise related to TEP that is also an Electric Service Provider.

"Electric Service Provider" (ESP) means an entity providing competitive electric services at retail ("Competitive Services") as described in A.A.C. R14-2-1601(15).

"UniSource Corporate Compliance Program" means the program, or any successor program as approved by UniSource Energy Corporation (UniSource) from time to time, responsible for administering the Corporation's Compliance Program, or any successor program, that includes the Code of Conduct.

"TEP Security Department" means the department, or any successor department as designated by UniSource Energy Corporation (UniSource) from time to time, responsible for administering the corporation's Security program that includes maintaining physical security of the corporation's facilities and employee security at those facilities.

Purpose:

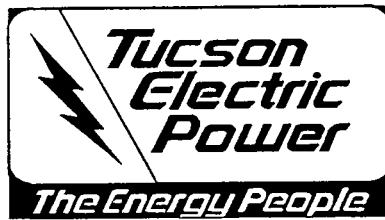
This policy sets forth measures to ensure that TEP maintains physical separation from its Competitive Electric Affiliates. Physical separation protects against the unauthorized transfer of confidential information and the improper subsidization of its Competitive Electric Affiliates.

Policy:

1. Access to TEP-occupied areas will be allowed for employees and agents of a Competitive Electric Affiliate on an as-needed basis and will under no circumstances allow employees or agents of a Competitive Electric Affiliate to read, review, copy or otherwise have access to

information that may not be shared with such employees or agents under the Code of Conduct.

2. To control personnel access to TEP offices and facilities at 220 W. Sixth Street, 1 South Church, 4350 & 3950 E. Irvington Road, 4445 W. Ina Road, 10600 N. Casa Grande Hwy, and any other TEP office or facility as may be designated from time to time by the TEP Security Department, TEP shall utilize one or more security systems. Employee access to these facilities will be granted through security-coded photo identification badges or similar devices. Each business entity's badges shall provide identification of the different business entities.
3. All employees, contractors, visitors, and vendors shall be required to wear identification badges in full view when on secured property. Persons without identification badges will be required to obtain a temporary daily visitor badge.
4. The TEP Security Department shall maintain control over the coding of access available to employees.



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| CODE OF CONDUCT POLICY NO. 8 | CODE SECTION NO. X.D. |
| SUBJECT: Shared Officers and Directors | |

Definitions:

"TEP" means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

"Code of Conduct" means the TEP document directing the implementation of the portion of the Electric Competition Rules as described in A.A.C. R14-2-1616.

"Competitive Electric Affiliate" means any business enterprise related to TEP that is also an Electric Service Provider.

"Electric Service Provider" (ESP) means an entity providing competitive electric services at retail ("Competitive Services") as described in A.A.C. R14-2-1601(15).

"Line Officers" means officers directly responsible for operational matters, such as Vice President, Energy Resources, Vice President, UDC Energy Services, and Vice President, UDC Operations.

"UniSource Corporate Compliance Program" means the program, or any successor program as approved by UniSource Energy Corporation (UniSource) from time to time, responsible for administering the Corporation's Compliance Program, or any successor program, that includes the Code of Conduct.

"Policies and Procedures" or "P&P" means these policies or procedures developed by TEP to implement the Code of Conduct.

"Support Officers" means officers responsible for corporate support services, such as General Counsel, Treasurer, or Chief Financial Officer.

Purpose:

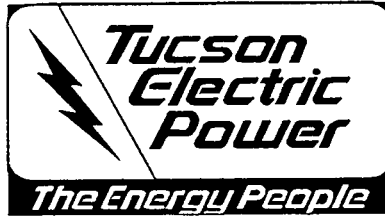
The purpose of this policy is to establish appropriate measures to ensure that TEP satisfies Section X.D. of the Code of Conduct. That provision allows officers and directors of TEP to also serve as officers and directors of a Competitive Electric Affiliate for purposes of common

oversight and governance where sufficient mechanisms are in place so that such sharing does not result in circumventing any of the Code of Conduct provisions.

Policy:

1. An officer or director of TEP may serve as an officer or director of a Competitive Electric Affiliate for purposes of common oversight and governance under the conditions of this policy.
2. **Officers.** Subject to the conditions below, the Chief Executive Officer of TEP may also serve in that capacity with any Competitive Electric Affiliate. Additionally, TEP may share Support Officers, but shall not share Line Officers, with a Competitive Electric Affiliate.
3. **Directors.** Subject to the conditions below, a director of TEP may also serve as a director of any Competitive Electric Affiliate, provided that the director is not also an officer that is not permitted to be shared under this policy.
4. The sharing of the officer or director shall not result in cross-subsidization, nor shall the sharing of the officer or director result in unfair preferential treatment or unfair competitive advantage over other ESPs, in a manner prohibited by the Code of Conduct. The shared support provided by the officer or director shall be priced, reported, and conducted in accordance with TEP's Code of Conduct and the Policies and Procedures.
5. The shared officer or director shall not allow or facilitate the transfer of information from TEP to a Competitive Electric Affiliate if the transfer of such information is prohibited by the Code of Conduct and its Policies and Procedures.
6. The shared officer or director shall review the Code of Conduct and its implementing Policies and Procedures upon becoming such shared officer or director or anytime there is a change to the Code of Conduct. The shared officer or director shall also sign a statement of affirmation which states that
 - a. the officer or director has read and understands the Code of Conduct and the Policies and Procedures;
 - b. the officer or director understands the ramifications for violating the Code of Conduct and the Policies and Procedures; and
 - c. the sharing of the officer or director satisfies the provisions of the Code of Conduct and the Policies and Procedures.
7. The UniSource Corporate Compliance Program, or such successor department as is designated by UniSource from time to time, shall retain signed statements of affirmation for a period of five years.

8. At the request of the UniSource Corporate Compliance Program, a shared officer or director may be asked to periodically reaffirm a statement of affirmation.
9. Information obtained from TEP and known or retained by such shared officer or director, that cannot be shared with a Competitive Electric Affiliate under the Code of Conduct, shall not be conveyed to any other officer, director, or to any employee of a Competitive Electric Affiliate.



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| CODE OF CONDUCT POLICY NO. 9 | CODE SECTION NO. XIII.B |
| SUBJECT: Training Policy | |

Definitions:

“TEP” means Tucson Electric Power Company as it currently exists, as its name may be changed, or as any successor enterprise.

“Code of Conduct” means the TEP document directing the implementation of the portion of the Electric Competition Rules as described in A.A.C. R14-2-1616.

“Competitive Electric Affiliate” means any business enterprise related to TEP that is also an Electric Service Provider.

“Electric Competition Rules” or the **“Rules”** means A.A.C. R14-2-1601 to –1617 including all future amendments and modifications.

“Electric Service Provider” (ESP) means an entity providing competitive electric services at retail (**“Competitive Services”**) as described in A.A.C. R14-2-1601 (15).

“UniSource Corporate Compliance Program” means the program, or any successor program as approved by UniSource Energy Corporation (UniSource) from time to time, responsible for administering the Corporation’s Compliance Program, or any successor program, that includes the Code of Conduct.

“Policies and Procedures” or **“P&P”** means these policies and procedures developed by TEP to implement this Code of Conduct.

“Utility Distribution Company” (UDC) means the electric utility entity regulated by the Commission that operates, constructs, and maintains the distribution system for the delivery of power to the end user point of delivery on the distribution system.

Purpose:

The purpose of this policy is to establish appropriate training mechanisms to ensure that TEP and its employees understand and comply with the Rules and the Code of Conduct and its Policies and Procedures.

Policy:

Program Description:

The Code of Conduct Training course content includes:

1. A review of the Rules.
2. The identification and discussion of the sections of the Code of Conduct.
3. The identification and discussion of the Code of Conduct's implementing Policies and Procedures.
4. The use of participatory exercises that reflect some of the typical workplace scenarios which employees may encounter. Employees must identify the Code of Conduct related issues within the scenarios and develop responses that are appropriate and that comply with the provisions of the Rules, Code of Conduct, and Policies and Procedures.
5. A discussion regarding the consequences of non-compliance.

A companion training program is conducted with the Competitive Electric Affiliate's employees and authorized agents.

Participants:

All UDC employees and authorized agents need to know the provisions and requirements contained in the Rules, the Code of Conduct, and its Policies and Procedures and understand how those provisions and requirements impact the way they do their jobs.

Those TEP employees and authorized agents, whether UDC or not, who have significant customer, Electric Service Provider, and/or public contact are required to attend training sessions.

Leaders and front-line employees in shared service functions that have significant interface with TEP employees and employees of its Competitive Electric Affiliate must also attend the training.

New Hire Training Schedule/Reporting:

For newly hired employees, the employee's Leader shall either arrange for or conduct the requisite training.

Program/Requirement Changes and Revisions:

The course content and materials will be updated as developments and changes occur and subsequent training sessions will be conducted as needed.

The UniSource Corporate Compliance Program, or such successor department as is designated by UniSource from time to time, will keep a master file of all changes and updates.